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DRAFT:FPB:asr (1 June 1955)

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Concur - Action Completed or in Process

Conclusion and Recommendation No. 1

The Office of the Comptroller has been commended for the continuing progress made in carrying out its responsibilities so efficiently.

Conclusion and Recommendation No. 4

Pursuant to the recommendation pertaining to the control of advances, new Regulations and Notices [REDACTED] have been submitted to the Regulations Control Staff. This will cover all provisions of Section XI of the Confidential Funds Regulations except for CFR paragraph 11.0.b. An additional Regulation [REDACTED] - Advances of Funds for Travel - which will rescind paragraph "b" of Confidential Funds Regulation [REDACTED] has been coordinated internally in the Office of the Comptroller and has been transmitted to the Regulations Control Staff through Logistics Office. The revision of Confidential Funds Regulation XI provides that delinquencies without positive corrective action will be brought to the attention of the Deputy Director (Support) at the expiration of four months instead of six months as under previous procedures.

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At the March DCI Staff Meeting the Comptroller presented and discussed the problem with respect to delinquent advances thereby complying with the recommendation of the Inspector General that the Director place on the agenda of his Staff Meeting periodically the subject of delinquent advances.

Conclusion and Recommendation No. 5

The recommendation that the DCI should not exempt procurement contracts between the Agency and private firms from administrative audit meets with the full approval of the Deputy Director (Support) and the Office of the Comptroller. It

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is further recommended that all research and development contracts be placed in the same category. It is not believed necessary to write a specific regulation covering this subject since CIA Regulation [REDACTED] provides that the Agency will use the Armed Services Procurement Regulations as a guide for the procurement of supplies and services insofar as practicable; and in our opinion, if such regulation is adhered to without waivers, adequate audits will be performed in all instances where appropriate. However, no regulation will prevent the DCI from waiving an audit if he so desires since he is responsible for the regulations and can always amend and/or make an exception. 25X1A

Conclusion and Recommendation No. 7

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1. Confidential Funds Regulation [REDACTED] is in current process of being revised by Agency Regulation No. [REDACTED] which will more clearly delineate the requirements and responsibilities of the various DD/P and DD/S components for the preparation of Administrative Plans, and the management of [REDACTED] proprietary projects. 25X1C
 2. Action has been taken to increase the T/O of the Proprietary Accounts Branch of the Comptroller's Office to provide necessary personnel to establish and maintain adequate accounting systems and controls for proprietary and special projects.
 3. Quarterly Reports pertaining to the status of proprietary and special projects are being disseminated by the Comptroller to DD/P and DD/S.
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Conclusion and Recommendation No. 9

The subject of integration of planning and programming with the budget is a long term problem on which work has been progressing for over two years and one which will require continuous work in the future. However, further progress has been made in this regard as a result of a series of meetings which have been held with the PPC representatives and FI representatives to further such integration of planning and programming with the budget. Progressive and constructive measures will continue to be taken with regard to this problem. (9 months) [redacted] 25X1A

Conclusion and Recommendation No. 10

With respect to the obtaining of No-Year funds for the Agency, you are aware that the decisions during the prior to the House Appropriations Committee hearing this year resolved for the moment the problem of No-Year funds and no further action is contemplated at this time.

Conclusion and Recommendation No. 11

The preparation and release of a Budget Manual is now in process. One section of a Budget Manual has been released to the Regulations Control Staff and two additional sections are now in the process of preparation and will be cleared through the Regulations Control Staff in the very near future.

Conclusion and Recommendation No. 12

The operating budget procedure has been completely reworked and the revised procedure is being used in connection with the operating budget for the fiscal year 1956. The Comptroller's Office is now in the process of developing instructions covering the definition of an obligation and the recording thereof as set forth in Section 1311 of Public Law 773, approved 26 August 1954. However, additional work will be required in connection with the revision of the application of Section 1311 of Public Law 663 to this Agency.

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5. The Budget Division is now in process of developing an instruction covering the definition of an obligation and the recording thereof as set forth in Section 1311 of Public Law 633, approved 28 August 1954. In addition, the Budget and Financial sections of administrative plans are being strengthened by requiring certain deviations in budgets and project outlines to be reported and/or submitted for approval. The action taken to strengthen administrative plans is designed to improve all phases of the administration of these projects including those which are the responsibility of the divisions but is being construed by some DD/P officials as another effort on the part of the Comptroller to control operations through the control of funds.

Conclusion and Recommendation No. 15

Partial implementation of this recommendation has been achieved thru

Regulation No. _____ dated _____, which provides for a cold-war planning cycle one year in advance of the budget planning cycle, will in effect provide a mechanism whereby the DCI may review preliminary plans and estimates of Agency requirements before he discusses budget ceilings with the Bureau of the Budget.

Conclusion and Recommendation No. 16

a and b. A comprehensive analysis of the financial practices of all field stations has just recently been completed. This analysis will be used to prepare dispatches to the Station Chief of each station where there has been loose or improper fiscal management. We would like to put across the thought that we do not believe it to be appropriate to burden the Director with such details. The Director, in matters of this nature, should only be called upon when those under him cannot obtain proper action.

c. Such procedures have been developed and distributed to field stations.

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We are working constantly on the improvement and refinement of such procedures.

d. The Comptroller's Office has prepared an outline of a "Financial Management Handbook for Case Officers", has assigned an individual on a full time basis to develop this Handbook, and has established an ad hoc committee consisting of 2 members each from the Office of the Comptroller, Office of Training, and DD/P review the Handbook and insure that it is prepared along lines which are responsive to operational and training requirements.

e. This recommendation was carried out last year. We have given specific attention to the incorporation of fiscal subjects in operations courses and also assigned an individual to the Office of Training who is working on a full-time basis on the development of such material and the conduct of the Office of Training courses involving financial subjects. Following is the lecture time, exclusive of study, test, and critique time, allotted to financial subjects in the courses named:

<u>Name of Course</u>	<u>Time allotted to Budget and Finance Subjects</u>
Basic Orientation Course	1½ hours
Operation Support Course	25 hours
Clandestine Operations Course	9 hours
Clandestine Services Review Course	9 hours
Administrative Procedures Course	16 hours
Management Course	1 hour
War Planning Course	1 hour
Administrative Refresher Course	5 hours
Maritime Course	1 hour

Conclusion and Recommendation No. 17


There is now in process of preparation [REDACTED] which will require such issuance to the field and which will also direct: (a) that initial allotment advices and project outlines or admin plans be forwarded to the field as one package whenever possible and (b) that copies of pertinent portions of these documents be made available to field Finance Officers for attention.

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Compliance with this directive will obviate any necessity for making 45-day allotments. Allotments are issued on a 90-day or quarterly basis at the present time.

Conclusion and Recommendation No. 18

A system to insure prompt transmittal of field allotment advices has been instituted beginning with FY 1955 and the system is working successfully in that allotments for second, third, and fourth quarters will reach field stations by the 30th of September, 31st of December, and 31st of March. First quarter allotments are issued at the earliest possible moment that funds become available but these allotments, of course, do not reach the field prior to the beginning of the first quarter. All stations are advised, however, by cable as to the approved level of operations for the first month or quarter, as the case may



Conclusion and Recommendation No. 20

The FY 1956 program and the FY 1957 budget calls to all field stations ILLEGIB requiring submission of detailed estimates for annual and operating budgets were issued during the first part of December which allowed sufficient time for the field to accomplish the task and return the data in January for compilation by Divisions and Staffs in time for submission to the PRC. The Letter of Instruction issued to each Senior Representative and each Chief of Station contained the directive that he shall conduct budget reviews and in certain cases such reviews are carried ^{by} on ~~at~~ headquarters representatives visiting the field.

Conclusion and Recommendation No. 21

The Finance Division has consistently endeavored to have its representatives personally discuss pay and allowances with agents and contract employees assigned

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overseas. A special desk has been established in [REDACTED] of the 25X1A Finance Division for the express purpose of briefing and discussing pay and allowance problems with contract personnel. Regulations to the effect that all agents going PCS overseas must be briefed and cleared by the Finance Division should eliminate the majority of problems in this category.)

Conclusion and Recommendation No. 22

Arrangements are under way for improving the flow of information to the field regarding the administration of agents by use of a standard "data sheet" procedure. It is expected that this procedure will help to eliminate confusion at the field level which has in the past contributed to the problem concerning payments to covert agents. In addition, the Finance Division is exploring the possibility of transferring the administration and payment of agent allowances to the field wherever trained finance personnel are assigned, and the cover status of the agent permits servicing by field stations.

Conclusion and Recommendation No. 23

The question of delay in forwarding travel data sheets to overseas stations has recently been carefully studied by the Comptroller's Office and corrective measures taken which will insure submission of the travel data sheets to the area divisions concerned for pouching to field stations within a maximum of fifteen working days after the employee departs.

Conclusion and Recommendation No. 24

1. The Finance Division of the Comptroller's Office has issued a division operating procedure which formalized its "on the job" training program for division administrative personnel. This procedure establishes specific

responsibility for the various phases of "on the job" training to be given by the Finance Division and requires the completion of a Trainee Check list at the completion of training to assure that training appropriate to the assignment has been given and to provide an evaluation of the aptitude and interest of the trainee.

2. The training given each employee is "tailored" to fit the responsibilities of his assignment. For example, a typist whose contact with finance matters will be limited to typing travel vouchers, is given "on the job" experience only in the Travel Section; an employee, or senior administrative officer, who will have general, broad responsibility for finance, receives general orientation in procedures and policies of the Finance Division, and an administrative employee who will assume full responsibility for control and reporting on use of funds at a small station, is given intensive, broad training in all phases of finance responsibility, with special emphasis on specific problems and procedures of the station to which he is being assigned.

3. Following completion of "on the job" training by an employee, a memorandum is directed to the Area Division concerned indicating the scope of the training given and the evaluation of the employee's apparent ability to discharge finance responsibility of the type contemplated. To date, in no instance has an Area Division indicated dissatisfaction with the "on the job" training given its employees by Finance Division. On the contrary, the Chief of Administration and Personnel Officer of the Division which has furnished over half the trainees, have indicated that they are pleased with the program.

Conclusion and Recommendation No. 26

The Chief, Regulations Control Staff has prepared a completed index of all

with a cut-off date as of 1 March 1955 which will be

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forwarded to field stations after clearance is obtained from DD/P. This index which will include, but will not be limited to, finance regulatory issuances, will identify all [REDACTED], and will provide for classifications of issuances by issuance number and alphabetically. This index is to be released on a semi-annual basis with monthly changes whenever the volume justifies. Therefore, it appears that this procedure complies with the Inspector General's recommendation.

Conclusion and Recommendation No. 27

A long-range and flexible career plan for Comptroller personnel is being developed but cannot be fully implemented until the Agency's Career Program is further advanced and a selection of those individuals who will comprise the Career Corps is determined. The Comptroller's Office is proceeding on such selections in accordance with Agency Regulations. In the meanwhile, the Comptroller is developing general long-range plans which will be consistent with the Agency Career Service Program, and he does have realistic plans for the replacement and rotation of individual employees between Headquarters and overseas stations and the development and utilization of the talents and skills of all of his employees through job rotation and training.

Conclusion and Recommendation No. 28

The Comptroller has arranged for security checks on all U.S. Treasury officials with which this Agency maintains liaison. A continuous survey and review of CIA fiscal relationships with Treasury, GAO and other government agencies is being maintained to confine knowledge of Agency activities on a "need to know" basis.

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Conclusion and Recommendation No. 30

Current arrangements for obtaining timely information on foreign exchange matters and facilities from the operational components of the Agency are considered satisfactory. In addition, information on this subject is received from many outside sources. We are constantly striving to increase the sources from which we can secure additional monetary and foreign exchange data.

Conclusion and Recommendation No. 31

Appropriate action has been initiated by the Comptroller's Office to implement the recommendations contained in the "Discussion" section of the Inspector General's report concerning fiscal management procedures and administration of the Office of the Comptroller. The DD/S is maintaining a follow-up on these items to insure that proper action is taken.

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TAB-B CONFIDENTIAL

Concur - Joint Implementation Required and in Process

Conclusion and Recommendation No. 2

25X1A 1. A comprehensive set of regulations (see [REDACTED] Agency Regulations) has been released to field stations and Agency Headquarters components specifically delegating and defining fiscal responsibilities and establishing procedures and criteria for the allotment, accounting, and custody of official funds. We are working constantly to improve and refine these procedures in the light of past experience. The Survey Team suggested that a directive be released by the DCI emphasizing the need for additional improvements in the enforcement of fiscal responsibilities at field stations. Such a directive has been prepared for release by the DCI (Tab A). If it is considered advisable, a new directive on this subject in line with the Inspector General's recommendation will be drafted.

2. It is noted that the Inspector General recommends that the Comptroller be more aggressive in recommending policies for improving fiscal management and initiating action to expose inadequate fiscal management. We have attempted to aggressively utilize the resources and manpower of the Comptroller's Office to improve financial management in the Agency to the maximum extent possible. It has been necessary of course to give proper recognition to the problems and prerogatives of the operating offices which we serve and the opinions of other senior Agency officials respecting operating factors, which sometimes limit or qualify the type of financial controls which may be exercised. For example, the maintenance of aggressive financial management at overseas field installations is primarily dependent upon our ability to assign persons trained in financial management to these field stations. We have made repeated, continuous, and vigorous requests for the assignment of Finance Officers to major overseas installations; and the fact that the number of overseas Finance personnel has increased from [REDACTED] in 25X1A January 1951 and [REDACTED] in January 1952 to [REDACTED] in December 1954 is 25X1A

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evidence that we have achieved a large measure of success. However, there are certain overseas areas where we still do not have Finance Officers although we have repeatedly pointed out that financial management and controls are inadequate at these posts and have requested the assignment of trained Finance Officers. The DD/P operating divisions agree in principle that Finance Officers should be assigned to these areas and state that they are endeavoring to overcome the lack of appropriate positions and the cover problem. This is only one example of the type of situation which prevents effective financial management, where aggressiveness on the part of the Agency as a whole, rather than just the Comptroller's Office, is necessary for the solution of financial management and related problems.

3. A careful review of past accomplishments and present financial management objectives will reveal that the Comptroller has taken positive and aggressive action in the application of financial controls in conformance with Agency policy and objectives. While the Comptroller must be aggressive in designing, proposing, and enforcing financial measures which will counterbalance the spending proclivities of operating officials, he must cultivate a breadth of outlook and a knowledge of the over-all operations and objectives of the Agency which will permit him to recognize the security, cover, and operating factors which sometimes limit, qualify, or dictate the type of financial controls which best serve the Agency's interest. It is our considered opinion, based upon past history and experience, that an overly aggressive or dictatorial attitude on the part of the Comptroller, whereby he attempts to "command" the adoption of financial policies without due regard to operating problems and prerogatives, would do more harm than good. We believe that more progressive and enduring results will be obtained by mutually working together with the operating offices in a manner which will solve problems involving both operating and budget and finance problems, since these problems are inextricably entwined, and no lasting solution of one is possible

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without a solution of the other.

Conclusion and Recommendation No. 3

Representatives of the staffs of DD/P and DD/S ~~have been~~ (will be) designated to review the problems and requirements of projects which need blanket waivers of fiscal accounting requirements. It is believed that measures can be established which will provide at least some minimal financial controls of such projects without jeopardizing the security and cover of such activities.

Conclusion and Recommendation No. 6

1. The DD/S and the Office of the Comptroller have felt for some time that the full potential of program analysis was not being utilized, and this point was emphasized at the time the Program Analysis Staff was established in the Comptroller's Office. We believe that a comprehensive system of program analysis requires the integration and combination of quantitative data which can be compiled by the Comptroller's Office with the qualitative data which should be compiled by the Operating offices.

2. The establishment of a program for the analysis of activities--financial and substantive--on an Agency-wide basis has the unqualified support of this Office. We are more than willing to assist in any program for the integration of the financial and statistical analyses with the operational analyses of Agency substantive operations so that an effective Program Analysis may be instituted on an over-all Agency basis. *We concur in the proposal that a committee be appointed to prepare recommendations for consideration of the Director*

Conclusion and Recommendation No. 13

A detailed study concerning the use of allotment advices as a control of property purchases and issues is now being conducted. This question involves

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basic policy issues pertaining to the establishment of logistics requirements, the maintenance of stock levels, and an integrated reporting system on budgetary, fiscal, and logistics activities. It is expected that a completed staff study, containing appropriate recommendations for remedial action, will be completed by _____.

Conclusion and Recommendation No. 14

The necessity for and advantages of handling of FI projects on a fiscal year basis is ^{now} recognized by the FI Staff and that Staff has in conjunction with the Comptroller's Office drafted procedures placing all of its projects on a fiscal year basis. However, no attention has ^{yet} been given to the problem of further grouping of small FI projects so that FI group allotments can be made to each field station. Further work on this problem is not contemplated until certain problems in connection with the integration of FI planning and the budget can be completed.

Conclusion and Recommendation No. 19

The Comptroller's Office keeps the DD/P operating components apprised on a current basis of the need for professional finance personnel at overseas stations. Vacancies are filled on a priority basis, except in those instances where cover or security conditions are such that assignments must be delayed pending the availability of cover positions.

Conclusion and Recommendation No. 25

25X1A [REDACTED] dated 4 June 1953, which gives the Comptroller action responsibility on all non-operational type finance communications, has proved to be only partially effective. Generally, cables are properly identified for action by the Office of the Comptroller; however, dispatches are often delayed in receipt or transmission. This problem could be overcome by the release of the revised Clandestine Services

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